

DEPARTMENT OF PERSONNEL ADMINISTRATION

SAVINGS PLUS PROGRAM

1800 15th STREET

SACRAMENTO, CA 95814-6614

**ATTENTION: FOR SEPARATED EMPLOYEES ONLY****Re: Distribution of funds from your Alternate Retirement Program (ARP) account**

ARP Account Holder:

As a result of ending your employment with the State of California, you've become eligible for a payout of the funds in your "Alternate Retirement Program" account. That account was automatically set up on your behalf when you were hired.

You now must decide what you would like us to do with your funds. The following information will help you make an informed decision.

What is ARP?

ARP is a mandatory retirement savings program for California State employees first hired on or after August 11, 2004. It provides retirement savings in lieu of retirement service credit for the first two years of State employment. During that time, the State deducts roughly five percent of your salary each month and deposits it in an ARP account.¹

Normally, your funds would remain in the ARP account for four years after you first qualified for CalPERS membership, at which time you'd be eligible to take a "distribution" (i.e., payout) or use the money to purchase retirement service credit for your first two years of employment. Your departure from State service made you eligible to take a distribution sooner.

Things to Consider Before Taking a Distribution

You cannot change your decision once you apply for a distribution, so make sure you understand the consequences before you make a final decision. If you take a distribution:

- You cannot re-deposit the funds in ARP if you return to work for the State of California.
- If you return to State employment, you may be prohibited from purchasing retirement credit for your previous period of State service. If you are permitted to purchase this time, you will be required to pay both the employee and employer share of the cost.
- Taking a distribution of your ARP account may affect reciprocity, eligibility, and other benefits available to you under CalPERS (California Public Employees' Retirement System). For details, refer to the CalPERS' Web site at www.calpers.ca.gov.

¹ Your ARP account is set up as a 401(a) Plan, a type of retirement account governed by federal IRS rules.

Your Distribution Options

If you decide to take a distribution of your ARP funds, you have two options, described below.

Option 1 – Direct Payment: You may have your entire account balance paid directly to you. This payment will be reported to the IRS as ordinary income. Please see the Summary 402(f) notice in the booklet for tax implications. If you choose this “direct payment” option, direct deposit to your bank account is the safest and most convenient method.

Option 2 – Direct Rollover: You may roll over your ARP account balance to an IRA or eligible retirement plan. (For the latter, your new employer can advise you on the eligibility of its retirement plan to accept such rollovers.) If you choose this “rollover” option, we’ll mail the check to the address you provide on the application, made payable for the benefit of you to the IRA provider or other entity (“trustee/custodian”). You must mail or deliver the check to the trustee/custodian. You are **not** subject to current taxes on this payment.

To apply for a distribution, fill out and return the Benefit Payment Application. Your payment will be issued no sooner than 90 days after the date of your last payroll deduction to ARP. If your application is received after this 90-day period, payment will be issued within 30-45 days. We’ll mail you a 1099-R tax form by January 31st of the following year. A direct payment (Option 1) will be reported as ordinary income; a direct rollover payment (Option 2) will be reported to the IRS as nontaxable.

ARP is administered by the Savings Plus Program in the Department of Personnel Administration. For more details on ARP, visit www.dpa.ca.gov, click on “Savings Plus Program,” and refer to the ARP Fact Sheet. You also may contact the personnel office of the State department where you worked.

SAVINGS PLUS PROGRAM

If you are currently employed with the State of California, you are not eligible for this payout.



**State of California
Savings Plus Program**

**Alternate Retirement Program
401(a) Plan**

**BENEFIT PAYMENT BOOKLET
(For Separated Employees)**

All information contained in this booklet was current as of the printing date. The Plan Administrator reserves the right to amend any of the procedures or plan provisions outlined in this booklet or the official Plan Document. Such changes may be enacted without prior announcement or the expressed consent or agreement of plan participants. The official Plan Document will govern if any contradiction arises between the terms of the official Plan Document and this booklet.

This booklet contains information and an application for your use. Use the applicable information to select the payment method that best meets your needs. Enclosed in this booklet are the following items:

- Alternate Retirement Program 401(a) Plan Benefit Payment Application
- Summary 402(f)

The instructions contained in this booklet summarize the major provisions of federal and State of California tax rules that may apply to your payment. The tax rules are complex and contain in their full text many conditions and exceptions that are not included in these instructions. You can find more specific information on the tax treatment of payments drawn from retirement plans in the Internal Revenue Service (IRS) Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, the IRS Web site at www.irs.gov, or the IRS Tax Forms Distribution Center, telephone 1-800-829-3676.

Information and Instructions for Benefit Payment Application

You are eligible for a distribution after you separate from all State employment. Your eligibility will be verified before payment is issued. Your payment will be mailed to the address you provide on this application. A 1099-R will be issued by January 31 of the following year for tax reporting purposes. The 1099-R will apply to both Direct Payment and Direct Rollover options.

SECTION I–Participant Information

Complete the information requested.
Provide your separation date. Print clearly.

SECTION II–Payment Option 1 – Direct Payment

This payment method allows you to receive your entire account balance. This payment will be reported to the IRS as ordinary income. If your account balance is less than \$200, federal and state income taxes will **not** be withheld. There will be a **mandatory** 20% withholding for federal income taxes on amounts of \$200 or more and no state income taxes will be withheld.

Select either direct deposit or check.

If you choose direct deposit, there is no fee for this electronic transfer. You may choose only one financial institution for direct deposit. You must provide the account information. A notification of direct deposit will be mailed to you for your records.

Include the nine-digit Automated Clearing House (ACH) routing number and your account number for your financial institution. Attach a voided check for an electronic fund transfer to your checking account. For an electronic fund transfer to

your savings account, verify the ACH routing number with your financial institution.

Provide the name and mailing address of your financial institution.

SECTION III–Payment Option 2 – Direct Rollover

This option allows you to roll over funds from your ARP account to an Individual Retirement Account (IRA) or other plan as long as the entity sponsoring the plan accepts 401(a) funds. Specify the type of plan that will receive your funds.

If you are age 70½ or older and elect to roll over your funds, your Required Minimum Distribution (RMD) will be processed and paid directly to you before the funds are rolled over to the provider. Refer to the enclosed Summary 402(f) for information regarding RMDs.

SECTION IV–Distribution Consequences

There are consequences to taking a distribution of your ARP account. Read each one carefully and initial that you have read and understand these consequences.

SECTION V–Participant Certification

Read Summary 402(f) and sign and date the application.

Contact Information

Contact your previous employer's Personnel Office or refer to the *ARP Fact Sheet* on the Department of Personnel Administration's Web site, Savings Plus Program.

WEB SITE: www.dpa.ca.gov

Savings Plus Program

Alternate Retirement Program 401(a) Plan

Benefit Payment Application

(For Separated Employees)

Please read the information and instructions in the Benefit Payment Booklet before completing the application. Payment will be issued no sooner than 90 days after your last contribution to your ARP account. If your application is received after this 90-day period, payment will be issued within 30-45 days.

SECTION I - Participant Information

Last Name, First Name, MI		Social Security Number (SSN)
Street Address		Date of Birth (mm/dd/yyyy)
City, State, ZIP Code	Daytime Phone Number ()	Separation Date (mm/dd/yyyy)

Privacy Statement: The Information Practices Act of 1977 (*Civil Code* Section 1798.17) and the federal Privacy Act (Public Law 93-579) require that this notice be provided when collecting personal information from individuals. Information requested on this form is used by the Savings Plus Program for the purposes of identification and account processing. You must furnish all the information requested on this form. Failure to provide the information may result in the action requested not being processed.

SECTION II – Payment Option 1 – Direct Payment

Direct Payment: 100% of the account balance will be distributed to you. Payment will be reported to the IRS as ordinary income. A 1099-R will be issued by January 31 of the following year for tax reporting purposes.

Method of Payment (Check **one** box only.): ☐ Direct Deposit ☐ Check

If Direct Deposit, you need to provide the account information.

Account Type (check **one** box only): ☐ Checking (Attach a voided check.) ☐ Savings

ACH Routing Number (9 digits):

Account Number (Not to exceed 17 digits):

Name of Financial Institution

Street Address

City, State, Zip Code

SECTION III – Payment Option 2 – Direct Rollover

Direct Rollover

100% of the account balance will be rolled over to another entity. Check the type of plan to which your funds will be rolled over. If you are age 70½ or older and elect to roll over your funds, the annual RMD portion will be paid directly to you **before** the remaining funds are rolled over to the receiving entity.

- ☐ Direct rollover to an IRA
- ☐ Direct rollover to *Internal Revenue Code* (IRC) Section 457 Plan
- ☐ Direct rollover to IRC Section 401(k) Plan
- ☐ Direct rollover to IRC Section 403(b) Plan

The rollover check will be made payable for the benefit of your name to the trustee/custodian named below. The check will be mailed to the address you provide in Section 1 of this application for you to forward along to the trustee/custodian. If funds are to be distributed to more than one plan or an IRA provider, attach an additional sheet with the following information: your SSN; your signature; the name of the trustee/custodian; the percentage of your rollover or the dollar amount; and the date. If you are rolling over your plan assets to a different plan type—for example, rolling over a 401(a) into a 457 — **you must attach a certification from the receiving entity(ies) that agrees to accept the funds before the distribution will occur.**

Name of Trustee/Custodian (Please do not abbreviate.)

SECTION IV – Distribution Consequences

(By initialing the items below, you certify that you have read and understand these distribution consequences.)

If you elect to take a distribution of your ARP account:

(Initial) Your decision is irrevocable.

(Initial) You cannot re-deposit the funds into ARP if you return to work for the State of California.

(Initial) If you return to State employment, you may be prohibited from purchasing retirement credit for your previous period of State service. If you are permitted to purchase this time, you will be required to pay both the employee and employer share of the cost.

(Initial) Taking a distribution of your ARP account may affect reciprocity, eligibility, and other benefits available to you under CalPERS. For details, refer to the CalPERS' Web site at www.calpers.ca.gov.

SECTION V – Participant Certification

I request distribution to be made in accordance with the Plan Document, *Internal Revenue Code*, and my election. I certify that I have been informed of the different payment options, consequences, and the tax implications of a distribution from my account. I certify that I have read Summary 402(f) and, by signing, I waive the 30-day notice.

Signature

Date

Mail the original application (do not fax) to:

**Nationwide Retirement Solutions (PW-03-01)
P.O. Box 182797
Columbus, OH 43218-2797**

Summary 402(f)

This is a summary of the provisions of the model Section 402(f) notice issued by the Internal Revenue Service in Notice 2002-3 and explains how you can continue to defer federal income tax on your retirement savings in the State of California Savings Plus Program Deferred Compensation Plan (the “Plan”) and contains important information you will need before you decide how to receive your Plan benefits. A copy of the model Section 402(f) notice will be provided to you upon request without charge. If you would like a copy of the model 402(f) notice or have additional questions after reading this summary, you can contact your Plan Administrator at (866) 566-4777.

This summary is provided to you by the State of California Department of Personnel Administration, Savings Plus Program (your “Plan Administrator”) because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to a traditional IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An “eligible employer plan” includes a plan qualified under Section 401(a) of the *Internal Revenue Code*, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a Section 403(a) annuity plan; a Section 403(b) Tax Sheltered Annuity; and an eligible Section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which

you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse’s consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- (1) Certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit (“DIRECT ROLLOVER”); or
- (2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe.

However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.

- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period

Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this summary. Thus, after receiving this summary, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by signing the enclosed Benefit Payment Application. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.